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DEPARTMENT OF NATURAL RESOURCES

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Division of Water Rights

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State Engineer/Division Director

December 15, 2008

Brent Jones, Chairman
Cedar Valley Distribution System
181 E Midvalley Rd
Cedar City, UT 84720

re: Collection of Delinquent Distribution System Assessments

Dear Brent:

We have recently done a review of the Division's distribution assessment process and have discovered some things that I thought I would share with you.

When you consider staff time, it costs the Division approximately \$15.00 to process each distribution assessment (calculating the assessment, preparing and mailing the assessment notice, and receiving and depositing the payment).

Our review also revealed that when an account requires collection effort, it costs the Division over \$200 to research and prepare the collection notice and then follow up and issue an order to cease the use of water if necessary.

Further our research indicated that the State Engineer's assessment is adequate to cover the State Engineer's costs for assessing water users (including sending notices and receiving payments); disbursing distribution funds (including payroll and expenses); and the accounting associated with your systems trust fund. However, the State Engineer's assessment is not enough to cover the costs associated with collection on a delinquent account.

Based on this information, the Division has decided to modify its delinquent account collection procedures. Starting in 2009, the Division will collect delinquent distribution assessment accounts according to the following process:

- Collection proceedings will start only if an account is delinquent for the second year in a row.
- Collection proceedings will start on a delinquent account only when the amount owed exceeds \$200.
- A collection fee of \$200 will be added to each delinquent account when collection proceedings are started on it.
- There is a four-year statute of limitations that restricts the Division to collect only those delinquent assessments that are four years old or less. This limitation combined with the \$200 limitation result in a policy that the Division will not start collection proceedings on an account where the annual assessment is less than \$40. (A \$40 annual assessment plus delinquent fees will result in a \$200 balance in four years).



December 15, 2008

Re: Collection of Delinquent Distribution System Assessments

- Collection notices will be sent shortly after the first of July of the second year the account is delinquent. The notice will request payment of the outstanding balance within 30 days and will detail the consequences for non-payment.
- If the account remains unpaid after the first of August an Order to Cease the Use of Water will be issued to the water user listed on the account. A copy of the order will be sent to the regional engineer, the water commissioner, the distribution system chairman, and a copy will be placed on the water right file. No administrative action will be taken on the water right while it is under a cease use order. The order will remain in force until the account balance is paid in full (including the \$200 collection fee).
- If the water user continues to use water in defiance of the order, the matter will be referred to the Division's Water Right Enforcement Program. A Notice of Violation from the Enforcement Program will entail penalties including monetary fines and the requirement to replace water.

Here is some information on the assessment accounts for the Cedar Valley Distribution System:

The total assessment amount	\$8,299.96
The minimum account assessment	\$5
2008 State Engineer's Assessment	\$630
Total number of assessment accounts	179
State Engineer's assessment per account	\$4
Number of accounts that are assessed the minimum	31
Number of accounts that are assessed less than \$40	104


On September 30, 2008, the status of the assessment accounts for the Cedar Valley Distribution System based on this new policy was as follows:

The total amount delinquent for all accounts	\$1,516.06
The amount of the delinquency that is uncollectible because the accounts are less than \$200	\$943.10
The amount of the delinquency that is uncollectible because the accounts are less than 2 years delinquent	\$572.96
The amount of the delinquency that is uncollectible because the accounts exceed the 4 year limitation	0
The total amount of the delinquency that is collectible	0

I wanted to send you this information before the annual meeting because your distribution system may want to consider increasing the minimum assessment that is charged. I would be happy to discuss this new policy at the annual meeting if it would be helpful.

If you have any questions concerning this policy or would like to discuss it prior to the annual meeting, please contact me by phone at 801-538-7327 or by e-mail at LeeSim@utah.gov.

Sincerely



Lee H. Sim, P.E.

Assistant State Engineer for Field Services

Sam,

6/13/2008

After reviewing the diversion amounts We entered for assessment, the Northfield diversion also included the east extension diversion amount. Therefore the Northfield was double billed, where the east extension was also billed. To adjust this billing:

Original bill to Northfield was 1041.37, They should pay 520.50 and
Original bill to East Extension was 518.52, they should pay 520.50.

The remaining unpaid amount ($1041.37 - 520.50 = \mathbf{520.87}$) will come from the reserve amount instead of rebilling all the other accounts to make up the 520.87 difference.

I will be working with you to input the diversion amounts directly to the Division Website in July, thereby avoiding the errors in the conversion from CFS to Acre-feet which is how we bill.

Thanks for alerting me to this
Mike Silva

In the Future, to avoid this mistake the Northfield and East Extension Diversion amounts must be split 50/50 to arrive at the corresponding diversion amounts for the assessment.

Also note that Sam Bauer's spreadsheet does not accurately convert from CFS to AF and these numbers should be added to PC Divert on the Website to gain accurate numbers used for the assessment.

Sam Does not check GW diversions, only surface diversions, therefore there was some consideration given to only billing the surface diversions for the work he does. However after some additional consideration, Mr. Sim Determined that we would continue to bill the GW pumpers based on their previous assessment amounts and only adjust the surface water diversions for the amount diverted based on the WC measurements.

Additional note: The Coal Creek channel on both sides of Main street and just south of the Cedar City office was rebuilt during the winter of 2007-2008. This was operational during the 2008 water season however problems with clogging of the grate required both the WC and contract personnel supplied by the engineering firm to continue to clean it on a regular basis to insure that enough water entered the structure to provide the full water right. This structure will be undergoing a redesign/reconstruction during low flow periods in late 2008.